CITY OF MOUNTAIN VIEW
MEMORANDUM

DATE: June 1, 2011

TO: NOFA Ad Hoc Committee

FROM: Linda Lauzze, Administrative and Neighborhood Services Manager
Adriana Garefalos, Senior Planner

SUBJECT: JUNE 6, 2011 NOFA AD HOC COMMITTEE MEETING—EVALUATION OF NOTICE OF FUNDING AVAILABILITY (NOFA) PROPOSALS

PURPOSE OF MEETING

The purpose of the June 6 NOFA Ad Hoc Committee meeting is to:

- Provide the Committee with an evaluation or the NOFA proposals; and

- Provide an opportunity to discuss and ask questions of the applicants and staff.

BACKGROUND

A NOFA for up to $12.0 million in local housing funds was issued February 1, 2011. The NOFA deadline was April 18, 2011 and four affordable housing proposals were received. The complete NOFA proposals were forwarded to the Committee on May 3. The role of the NOFA Committee is to identify the top proposals to be forwarded to the City Council for their consideration.

The Committee held its first meeting on May 16 and heard presentations from each of the NOFA applicants describing their proposals and qualifications. The staff memo for the May 16 meeting provided background information regarding the City's affordable housing supply, affordable housing funding sources and a number of other topics to provide context for review and evaluation of the NOFA proposals.

This memo provides further analysis of the NOFA proposals to assist the Committee in identifying the top proposals. The recommended format for the June 6 meeting is the following:

- Staff Presentation
- Committee Questions of Staff and Applicants
- Oral Communication from the Public
- Committee Discussion

CONSISTENCY WITH NOFA GOALS/PRIORITIES

The NOFA identified 11 project goals and two housing priorities as selection criteria for the NOFA proposals (Attachment 1). The project goals identify general criteria for all affordable housing projects. The housing priorities identify the types of projects the City Council would be especially interested in funding.

Project Goals

All the proposals are consistent with the NOFA project goals with one exception. One of the project goals is that housing units will remain affordable for 55 years. The three rental housing proposals will have affordability restrictions for 55 years. The Habitat proposal is for ownership housing, and Habitat's typical affordability agreement with their families is a 30-year term. If the family sells the house during the first 30 years, they receive all the equity they have paid into the home and Habitat resells the home to a new low-income family. After 30 years and repayment of the mortgage, the affordability restrictions are eliminated. The City could require longer term affordability; however, this would require a separate affordability agreement between the family and the City that would become effective after the Habitat agreement expires. Most homes will require significant repairs and upgrading after 30 years, which may be easier to finance with no affordability restrictions on the home.

Housing Priorities

The NOFA identified two housing priorities. The housing priorities are not intended to preclude other types of projects from being funded, but are to serve as a guide regarding the types of housing projects that could be most beneficial to the community. The housing priorities consist of the following:

- Rental housing targeting extremely low- and very low-income households earning 50 percent or less of the area median income and ownership housing targeting low-income households earning 80 percent or less of the area median income.

- Proposals that provide dual benefits by developing affordable housing and creating a substantial improvement of a blighted property and/or neighborhood.

All the NOFA proposals meet the housing priorities, as discussed in the following sections.

Targeted Incomes

The three rental housing proposals all target very low-income persons at 50 percent AMI or below. This income group has the most difficulty finding affordable housing in Mountain View. Both the First Community Housing and the MidPen units will be affordable to persons earning 30 percent to 50 percent AMI. The ROEM/Eden units will be affordable to persons at 30 percent to 45 percent AMI.

The Habitat ownership proposal will target low- and very low-income families at 50 percent to 80 percent AMI. The families will provide 500 hours of sweat equity in-lieu of a cash down payment and will have a 30-year no interest mortgage with housing payments limited to 30 percent of the household income. Any loan amount beyond what the family can afford is provided as a silent second that becomes due when the family moves.

Dual Benefits

All the NOFA proposals will result in the improvement of dated properties and will improve the neighborhood in addition to providing much needed affordable housing.

- The First Community Housing proposal will result in the development of an underutilized property on El Camino Real. The property has a significantly irregular shape that could limit potential uses. The front portion of the property is developed with two older structures. One of the structures is a one-story, two-bedroom home and the other is a two-story structure with five studio apartments. Both structures were constructed around 1946 and are below-average to fair condition.[1] The rear of the site is unimproved. Redevelopment of this property could significantly improve the appearance of this portion of El Camino Real.

- The Habitat for Humanity site is currently developed with a 106-year-old house at the front of the property and six cottages from the 1950s are located at the rear of the property. According to the appraisal report, the property has about $100,000 in deferred maintenance and there is functional obsolescence in the main house apartment floor plans. Redevelopment of this property (including restoration of the house, if feasible) could significantly improve this neighborhood which includes a combination of older and newer homes.

- The ROEM/Eden site is developed with a two-story, mixed-use building with retail on the ground floor and 12 apartments above; a duplex is located at the northern end of the property and adjacent to the duplex is a small retail building. The buildings appear to be 45 to 50 years old. The existing residential uses are nonconforming, the site has inadequate parking and there are a number of zoning violations on the property. Redevelopment of this property could significantly improve the appearance of this corner property and resolve the code violations.

- The MidPen proposal will redevelop the two-story Tropicana Lodge property on El Camino Real. This property has 60 guest rooms and was developed in 1964. It is a dated property that has significant frontage on El Camino Real. The rear of the property is being used to store a boat and other items. Redevelopment of this property could significantly improve the appearance of this portion of El Camino Real.

COMPARISON OF PROJECT BUDGETS

The three rental housing proposals have developed their budgets according to the tax credit program specifications. The tax credit program has detailed underwriting standards and the three proposals appear to adequately address the tax credit requirements. Seifel Consulting, an economic and housing consulting firm, has reviewed the project budgets and determined that all three proposals appear to be reasonable and demonstrate the developers' familiarity with tax credit-funded rental housing. The three developers have extensive experience carrying out tax credit

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[1] The Fillmore Group Real Estate Appraisal of the property, March 31, 2011.

financed affordable housing and should be able to compete well for the 9 percent tax credits.

A revised project budget has been submitted for the ROEM/Eden project requesting less funding from the City because the project would qualify for additional Stanford funds. The City funding has been reduced from $7.75 million to $5.65 million. A revised project comparison chart is provided (Attachment 2) with the updated ROEM/Eden budget information. First Community Housing will also be submitting a revised budget for the June 20 meeting, requesting less City funding due to the availability of Stanford funds.

As shown in Table 1 , the percentage of the total project cost requested from the City ranges from 30 percent (ROEM/Eden) to 44 percent (MidPen) for the rental housing projects and 50 percent for Habitat's ownership project. The City's cost per rental housing unit ranges from $109,000 (ROEM/Eden) to $136,000 (First Community Housing) and $312,500 for the Habitat ownership homes. On a per-person basis, the cost ranges from $52,000 for Habitat due to the larger households that will be served to $127,000 per person for the MidPen project due to the larger size of the studios.

The Habitat ownership housing will be financed with funding from the City, private foundation sources and a variety of different private and public funds. Habitat has developed 50 homes in Santa Clara County using these types of funding sources. It is, therefore, assumed they would be able to secure the necessary funds for the proposed project.

Table 1 - Comparison of Proposals

	Total Project Cost			City Funding for Project			
Proposal	Total Cost	Cost per Unit	Cost per Person	City Funding Requested	Percentage of Total Cost	Cost per Unit	Cost per Person
First Community Housing	$8,008,267	$320,331	$286,009 (Based on 28 persons)	$3,400,000	42.5%	$136,000	$121,429
Habitat for Humanity	$5,000,000	$625,000	$104,167 (Based on 48 persons)	$2,500,000	50.0%	$312,500	$52,083
MidPen	$17,269,530	$287,825	$287,825 (Based on 60 persons)	$7,597,290	44.0%	$126,621	$126,621
ROEM/Eden	$18,713,889	$335,790 (Based on $17,461,073 budget for residential)	$295,950 (Based on 59 persons and 17,461,073 budget for residential))	$5,650,400	30.2%	$108,661	$95,769

All the project budgets will need further refinement to appropriately estimate construction costs, since the budgets are based on very preliminary design concepts. All three of the rental housing proposals achieve positive net cash flow for the first 30 years. The ROEM/Eden proposal relies on a portion of the retail income to achieve a positive cash flow. The MidPen proposal has a positive cash flow until year 18. After that, the budget includes a long-term operating reserve ($653,000), which is used to achieve a positive cash flow.

Repayment of City Housing Funds

The City's housing funds will be provided to the selected NOFA proposals in the form of a long-term loan (typically 55 years) that is secured against the property. Detailed agreements will be prepared to ensure that the property is operated as approved by the City and will remain affordable for the specified time. The agreements typically require that available cash flow from the operation of the property, after all reasonable and typical operating expenses and debt service are paid, would be applied toward the repayment of the City loans. The unpaid loan balance becomes due at the conclusion of the loan term, at which time the loan terms would likely be renegotiated. Housing funds that are repaid to the City can then be used to fund new affordable housing projects. Affordable housing projects that serve extremely low-income households are typically not able to repay any significant portion of the City loans due to the low rents being provided.

The three rental housing proposals provide a range of financing structures. Both the First Community Housing and the ROEM/Eden budgets include a small mortgage in addition to the City loan. The MidPen proposal does not include a mortgage and as a result, has the most significant positive cash flow during the first 18 years. It is estimated that about $138,000 of the available cash flow would be repaid to the City during this time. The MidPen budget shows 50 percent of the available net cash flow paid toward an Incentive Management Fee. The appropriate percentage would be negotiated with the City and would likely be less. The Incentive Management Fee is paid after all other obligations are paid and serves as an incentive to operate the property efficiently. The ROEM/Eden revised budget shows about $60,000 of the City housing funds being repaid during the first 19 years, since most of the cash flow would be applied toward repayment of the mortgage. Likewise, the First Community Housing proposal will apply available cash flow during the first 15 years toward repayment of the mortgage instead of the City loan.

Fee Waiver for Efficiency Studios

In 2002, the City Council adopted an ordinance which establishes standards for efficiency studios in Mountain View (Attachment 3). The Ordinance allows the City Council to waive or reduce City fees applicable to an efficiency studio project, including the park in-lieu fee and other development fees. The fee waiver applies only to efficiency studio projects, not other types of affordable housing projects. The ROEM/Eden proposal involves development of efficiency studios, therefore, the City fees could be waived by the Council. The project budget includes $1.6 million for permits and fees. Depending on the fees the Council decides to waive, this could reduce the City funding for the project.

Revisions to the Project Budgets

Since the submittal of the NOFA proposals, there are several updates regarding the project budgets, as detailed below:

- First Community Housing, upon further evaluation of the available funding from the Stanford Fund and discussions with County staff, has learned that their project will qualify for more Stanford Fund money than originally budgeted. They intend to submit a revised project budget requesting less NOFA funding from the City. The updated budget and funding request will be available for the June 20 Committee meeting.

- In their proposal, Habitat for Humanity indicates that in addition to the NOFA funding, they may also need about $700,000 in City CDBG/HOME funds, which they would apply for separately. Upon further evaluation of the project funding and the Federal requirements for use of the CDBG/HOME funds, Habitat has indicated they will not be applying for these funds and the lack of these funds will not affect the feasibility of their project.

- MidPen's proposal did not include a binding Purchase Option or an appraisal for the project site. The applicant anticipates that they will have both the Purchase Option and the appraisal prior to the June 20 meeting.

- A new budget has been submitted for the ROEM/Eden proposal, requesting $2.0 million less in City funding, due to the availability of Stanford Housing funds. A new appraisal is being prepared for the project site, which may result in a different purchase price and additional revisions to the project budget. The original appraisal considered commercial properties in establishing value and did not consider comparable mixed-use properties or adequately account for the nonconforming uses on the property. The applicants will need to negotiate an amended Purchase Option with the property owner based on the new property value. It is anticipated that the new appraisal and updated project budget will be available for the June 20 Committee meeting.

Additional Funding That May be Needed for the 4 Percent Tax Credits

As noted in the May 16 staff memo, the 9 percent tax credits have become very competitive and require increasing amounts of local funding. The three NOFA rental housing proposals anticipate securing the additional project funding from the 9 percent tax credit program. If the selected projects cannot secure the 9 percent tax credits, additional funding will be needed to make up the funding gap for use of the noncompetitive 4 percent tax credits. Each applicant was asked to provide a budget for use of the 4 percent tax credits in order to assess how much additional funding may be needed from the City if the 9 percent tax credits cannot be secured. As shown in Table 2, the additional City funding for the 4 percent tax credits ranges from $1.6 million for the First Community Housing proposal to $2.6 million for the MidPen proposal. For all three rental housing proposals, about $5.9 million in additional funding would be needed for the 4 percent tax credits.

Table 2 - Comparison of Funding for 9 Percent and 4 Percent Tax Credits

Applicant	Funding for 9 Percent Tax Credits	Funding for 4 Percent Tax Credits	Additional Amount for 4 Percent
First Community Housing	$3,400,000	$4,985,733	+$1,585,733
MidPen Housing	$7,597,290	$10,188,000	+2,590,710
ROEM/Eden	$5,650,400	$7,371,900	+1,721,500
Total Additional Funding for 4% Tax Credits			$5,897,943

CDBG/HOME Funds

It may be possible to supplement the City's housing funds with Federal Community Development Block Grant (CDBG) and HOME Investment Partnership (HOME) funds. The City is anticipated to have about $350,000 in CDBG and $260,000 in HOME funds available during Fiscal Year 2012-13. Depending on the construction schedule of the selected projects, it may be possible to also use Fiscal Year 2013-14 HOME funds for some of the construction costs. There are many Federal requirements that must be met to use the CDBG/HOME funds, including ongoing reporting and record keeping. Due to the additional work involved for funded projects and the small amount of available funding, it is recommended that CDBG/HOME funds be concentrated to one project or possibly two.

The First Community Housing proposal appears to be the best suited for use of CDBG and HOME funds. The proposal incorporates Federal relocation requirements, the agency has extensive experience with both CDBG and HOME funds and the project does not have any complicating factors that could result in project delays and additional costs due to the use of Federal funds. The MidPen proposal may also be appropriate for use of CDBG and HOME funds; however, use of Federal funds may result in some additional relocation costs. Although the property is a motel, there may be occupants who have resided at the property for over 30 days and under Federal rules could be entitled to relocation benefits.

The ROEM/Eden project will involve a General Plan amendment and rezoning, and the Habitat for Humanity site involves the preparation of a historic assessment and possibly an EIR. These activities could delay the site acquisition and affect the City's ability to use the Federal CDBG funds in a timely matter. The CDBG funds can only be used for site acquisition and have strict expenditure requirements that must be met. In addition, both the Habitat and the ROEM/Eden projects have situations (e.g. potential historic home and flood zone) that could result in additional costs due to the need for more studies to comply with Federal requirements.

Financial Audit Reports

The NOFA required applicants to provide independent financial audit reports for the last three years. The audit reports evaluate agency compliance with general accounting standards, the accuracy of the agency's financial reports and compliance with laws, regulations, contracts and grant agreements. With the exception of Habitat for Humanity, the audit reports did not identify any issues. Habitat for Humanity, under a previous Executive Director, had a number of problems with their financial record keeping, oversight and tracking of funds. The agency has changed its accounting methods and staff and appears to be correcting the identified problems. The most recent audit report (December 20, 2010) shows that significant improvements have been made.

ZONING/LAND USE

In this phase of the NOFA process, there will not be a detailed review of the project design concepts because these are just preliminary ideas. NOFA applicants were not asked to submit architectural drawings. The initial design concepts have been prepared solely for the purpose of identifying approximately how many units may be accommodated on the site, in order to develop the project budget. In this early phase, there are several zoning issues that may be useful in comparing these four proposals, including the entitlement process, the proposed project density, and the parking concepts.

Entitlement Process

The proposals selected for funding will go through the City's development and design review process, which is expected to take a minimum of nine to twelve months. All new development in Mountain View goes through an extensive public review process. A large part of this process is meetings with surrounding neighbors and business owners to learn their concerns and incorporate solutions into the project design. The development and design review process may result in substantial changes to the initial proposed design concepts.

The entitlement process will be similar for all the projects. All of the projects will require a Development Review Permit and environmental assessment. The three rental projects will also require a Conditional Use Permit, since residential use is a conditional use in those commercial zoning districts and a Use permit is also required for their requested parking reductions. All of these permits can be processed concurrently. The ROEM/Eden and Habitat proposals may involve some additional steps in the process.

<u>ROEM/Eden Proposal</u>

In addition to the Development Review Permit, Use Permit, and environmental assessment, the ROEM/Eden proposal will require a rezoning and General Plan amendment. This adds complexity to the entitlement process, since this would be a land use change that requires a more detailed analysis and consideration of the long term impacts. The current CS (Commercial Services) zoning does not allow residential uses, so the applicant is requesting a rezoning to the CRA (Commercial/Residential Arterial) zoning district where housing is a conditional use. Even though all of the discretionary permits could be considered at the same time, the entitlement process is likely to take longer and have more uncertainty due to the Rezoning and General Plan Amendment request.

<u>Habitat Proposal</u>

Habitat for Humanity is proposing to rehabilitate the 106 year old house on the 300 Chiquita property to create two condominium units and the 6 cottages at the rear of the property would be replaced with 6 new townhomes, which will require a subdivision map. The 1905 house has been modified substantially and divided into 6 apartments and the exterior of the house would be restored to its original condition. It was originally identified as a historic resource in the Mountain View Register of Historic Resources, but was removed from the register at the owner's request. Because it was once included on the historic register, a historic resource assessment must be done to determine whether the home has historic significance.

If the assessment determines that the house is a "historic resource", the California Environmental Quality Act (CEQA) requires a determination of whether the project will cause a substantial adverse change to the home. If it cannot be demonstrated that there will be no substantial adverse change to the home, an Environmental Impact Report (EIR) will be required for the project.

If the NOFA Committee decides to recommend funding the Habitat project, a historic resource assessment could be completed prior to Council consideration of the recommended proposals in November. This would not result in any delay in the entitlement process. If an EIR is required, this would result in added project cost and probably more time for the entitlement process.

Project Density

The applicants with the three rental projects are all requesting a density bonus to accommodate their proposals. The Habitat ownership project does not need a density bonus as the eight units proposed for the site are consistent with the permitted and allowable zoning density.

The City has not processed a project requesting a density bonus under state law. This law requires the city to grant a density bonus and concessions or incentives to developers who agree to construct certain housing projects providing either affordable or senior housing. Examples of concessions and incentives could include reductions in setbacks, parking or other site development standards and modification of zoning code or architectural design requirements. The density bonus would allow additional units over the otherwise maximum allowable residential density provided by the zoning and the bonus increases in proportion to the number of affordable or senior units provided by the developer.

All three of the rental housing proposals would be located in the CRA zone that allows a maximum density of 43 units/acre. As proposed, each of these projects would be eligible for the maximum density bonus of 35 percent. With the maximum allowed density bonus, densities could be increased to 50 to 72 units per acre, depending on the number of affordable units provided by the developer. Because all of the rental proposals are studio developments, it is easier to accommodate a higher density on the sites than with projects having larger one and two bedroom units. Also, any funding provided by the City would be a major incentive and a parking reduction would be considered for each of these projects.

The application of the density bonus to these projects and any incentives or concessions will be analyzed in greater detail as part of the development review process. On a preliminary basis, it does not appear that a density bonus would have any significant adverse impacts, because these are studio units and the City would already be considering incentives and concessions. It appears that the 35 percent bonus would accommodate the requested number of units by the applicants. In addition, two of the projects are in the change area along El Camino Real, where policies in the draft General Plan call for zoning changes to allow densities up to 70 units per acre.

Parking

The Habitat ownership development will provide the parking required by the zoning code. All of the rental proposals are requesting reduced parking compared to zoning code requirements. In the past, the City Council has approved reduced parking ratios for affordable housing when supported by a parking study. Reduced parking has been approved by the Council for the three affordable housing projects funded during the past 10 years. For the San Antonio Place efficiency studios, a parking study recommended a parking ratio of 0.49 space/unit. The City Council required a 0.60 space/unit parking ratio to ensure that parking was adequate for any potential increase in usage. For the NOFA proposals, the parking shown on the site plans are preliminary concepts and may change. The following table summarizes the parking plans based on these preliminary site plans.

Table 3 - Preliminary Parking Proposals

Applicant	Parking Spaces in Proposal	Parking Ratio in Proposal	Parking Spaces Required by Code[2]	Parking Ratio Required by Code
First Community Housing	13 spaces	0.52 space/unit	1.5 spaces/studio 2 spaces/2bd	39
MidPen Housing	60 spaces	1 space/unit	1.5 spaces/studio 2 spaces/2bd	91
ROEM/Eden	30 spaces for residential	0.55 space/unit	1 space/unit 2 spaces/2bd	53

As part of the development review process, a parking study will be prepared for each of the funded proposals. The parking study will survey other nearby and similar affordable housing developments to determine the appropriate parking ratio. The results of the parking study will be used to assist the City Council in determining how much on-site parking to require.

[2] The First Community Housing and MidPen studio projects have a higher required parking ratio than the ROEM/Eden project because they are not defined as efficiency studios under the City's zoning code.

PROJECT LOCATION

All of the project sites are near transit and services. The two sites on El Camino Real appear to offer the best locations in terms of transit and services.

The First Community Housing site (1585 El Camino Real West) and the MidPen site (1720 El Camino Real West) are less than a quarter mile from the shopping center at El Monte and El Camino, which includes a CVS Pharmacy, coffee shop, bagel café and other businesses. There are also a number of small markets and restaurants on El Camino within a half mile of the sites. The sites are in close proximity to bus stops on El Camino for three bus lines that go to the downtown, the Mountain View Transit Center, Palo Alto Transit Center, Foothill College and all the way to San Jose and the Eastridge Shopping Center. Busses run frequently along El Camino Real and provide excellent transit options.

The ROEM/Eden site (819 North Rengstorff) is across the street from a sandwich shop and within a quarter mile of a Stop N Save and a 7-Eleven and about half a mile from the Costco shopping center where there are fast food establishments and other businesses. There are bus stops in close proximity to the site for three bus lines that go to the San Antonio Shopping Center/Transit Center, Shoreline, Foothill College, Palo Alto, Milpitas Great Mall and San Jose. A number of additional bus lines run along West Middlefield Road, which is about one quarter of a mile from the site.

The Habitat site (300 Chiquita Avenue) is within a quarter mile of a small market and there are bus stops on California Street, in close proximity to the site, for two bus lines that go to downtown and the Transit Center, the San Antonio Shopping Center and Transit Center, the Stanford Shopping Center and the Palo Alto Transit Center. The Habitat families will have cars; therefore they will not be solely dependent on transit for their shopping and other needs.

Eco-Passes

First Community Housing intends to provide free annual VTA Eco-Passes to the tenants for use of the VTA County-wide transit system. The ROEM/Eden proposal notes that Eco-Passes would be provided for one year. In response to a question at the May 16 meeting, ROEM indicated they would be willing to consider providing free Eco-Passes on an ongoing basis. Provision of Eco-Passes to tenants of the rental projects could be made a condition of approval during the entitlement process.

PROJECT SERVICES/AMENITIES

Resident services are an important part of subsidized housing for extremely low- and very low-income tenants. Tenant services are typically tailored to the needs and interests of the tenants in the property. All the NOFA proposals intend to provide resident services that are appropriate to the target population. Two of the applicants (MidPen and Eden) have affiliate resident service agencies that would provide and coordinate resident services. Habitat for Humanity uses their volunteers, directed by Habitat staff, to provide homeowner support before and after move-in. First Community Housing will partner with Housing Choices Coalition to provide and coordinate resident services.

Resident services will include social events, such as movie nights or potlucks, which help build community and allow residents to socialize. Resident services will also include education/training programs, such as resumé writing and computer classes, which help residents gain job skills and improve their competitiveness in the job market. In addition to these types of services, the First Community Housing proposal will include monthly scheduled appointments with tenants to discuss issues or concerns and refer tenants to appropriate resources.

DEVELOPER AND MANAGEMENT TEAM EXPERIENCE

All the NOFA proposals are from experienced affordable housing developers. All three of the rental housing proposals include professional property management with established experience in managing affordable housing. Two of the NOFA rental housing applicants (MidPen and Eden) have affiliate property management agencies that would manage the properties. First Community Housing will contract with the John Stewart Company, a private management company, for property management services. First Community Housing has used this company for over 20 years to manage their properties. The proposed property management organizations appear to have the appropriate experience to manage the properties.

The City's Efficiency Studio Ordinance requires efficiency studio developments to have a single entry point for tenants that is staffed 24 hours a day, and a manager must live on-site. The ordinance does not allow for maintenance staff to live on-site instead of the manager. This requirement will apply to the ROEM/Eden project, which meets the City's definition of efficiency studios.

KEY ISSUES

All the proposals provide important benefits along with challenges involved in carrying out the projects. For example, all of the projects provide new housing opportunities for low and very low income households. On the other hand, three of the projects result in displacement of existing tenants who are also likely to be lower income. Attachment 4 provides a summary of the key benefits and issues that have been identified regarding each of the NOFA proposals

UNRESOLVED ISSUES

Habitat Project

As discussed in the Zoning Issues section of this memo, the 106 year old house will require a historic resource assessment. Habitat's intention is to retain the exterior of the house and convert the existing apartments into two new ownership units. This would be beneficial for the neighborhood and preserve one of the City's older homes. Many parts of the interior of the home are in poor condition and in need of renovation.

The difficulty with retaining the existing home is that the City's Condominium Conversion Ordinance currently prevents the conversion of apartments to ownership housing. The Conversion Ordinance does not allow changing the six apartments into two ownership units. The conversion prohibition was the result of a voter initiative, so there is limited flexibility to change the ordinance. Staff is consulting with the City Attorney's office to determine whether it is possible to amend the ordinance to allow conversion of the older home and still be consistent with the voter passed initiative. If conversion of the house is not possible, the home would need to be demolished to allow the Habitat project or any other redevelopment of the site. If the historic resource assessment concludes that the 106 year home is a historic resource, any proposal to demolish the home would require an EIR and the City Council making findings of overriding consideration to allow the demolition. If it is determined that the home is not a historic resource, then an EIR would not be required for a demolition.

ROEM/Eden Project

The applicant is having a new appraisal prepared that will examine similar mixed-use properties and will take into consideration the nonconforming conditions on the property. It is anticipated the new appraised value will be available for the June 20 Committee meeting. The applicant will need to negotiate a new Purchase Option with the owner based on the revised appraised value.

MidPen Project

The MidPen proposal has a nonbinding Letter of Intent, rather than a Purchase Option agreement, so there is still a possibility that the Tropicana property owner may decide not to sell to MidPen. It is also not known at this time what the property owner will charge as a purchase price. MidPen expects the Purchase Option and property appraisal to become available later this month.

CONCLUSION

The June 6 meeting is intended to provide the NOFA Committee with an evaluation of the NOFA proposals. It is also an opportunity for the Committee to ask clarifying questions of staff and the applicants. The next NOFA Committee meeting is scheduled for June 20. The June 20 meeting can be used by the Committee to deliberate and make recommendations regarding the top proposals. If additional time is needed, the Committee could meet on June 27 to finalize their decisions.

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Attachments:
1. NOFA Project Goals and Housing Priorities
2. NOFA Proposal Comparison Chart
3. Efficiency Studio Ordinance
4. Key Benefits and Issues